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Return Date: February 21, 2001
Time: 10:00 a.m.

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re:	:	
	:	Chapter 11
	:	Case Nos. 00-41065 (SMB)
RANDALL'S ISLAND FAMILY GOLF	:	through 00-41196 (SMB)
CENTERS, INC., <u>et al.</u> ,	:	
	:	(Jointly Administered)
Debtors.	:	

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**NOTICE OF MOTION FOR ORDER (I) APPROVING AN AMENDMENT TO
KEY EMPLOYEE RETENTION PROGRAM; (II) APPROVING PAYMENT
OF SALARIES OF RETAINED EMPLOYEES PURSUANT TO SECTION
506(c); AND (III) GRANTING AUTHORITY TO PAY SEVERANCE
PAYMENTS AS ADMINISTRATIVE EXPENSES**

PLEASE TAKE NOTICE, that upon the motion (the "Motion") of Randall's Island Family Golf Centers, Inc., et al., debtors and debtors-in-possession (the "Debtors") by its attorneys, Golenbock, Eiseman, Assor & Bell, a hearing shall be held before the Honorable Stuart M. Bernstein, Chief United States Bankruptcy Judge, in the United States Bankruptcy Court, the Alexander Hamilton Customhouse, One Bowling Green, New York, New York 10004-1408 (the "Bankruptcy Court"), on February 21, 2001, at 10:00 a.m., or as soon thereafter as counsel may

be heard (the "Hearing") for the entry of an order (i) approving an amendment to key employee retention program; (ii) approving payment of salaries of retained employees pursuant to section 506(c) of title 11, U.S. Code; and (iii) granting authority to pay severance payments as administrative expenses, as more fully described and for the reasons set forth therein.

PLEASE TAKE FURTHER NOTICE, that objections to the relief requested, if any, must be in writing and must be received by (i) Golenbock, Eiseman, Assor & Bell, 437 Madison Avenue, New York, New York 10022 (Attn: Jonathan L. Flaxer, Esq.), (ii) Morgan Lewis & Bockius LLP, 101 Park Avenue, New York, New York 10178 (Attn: Richard S. Toder, Esq.), (iii) Berlack, Israels & Liberman LLP, 120 West 45th Street, New York, New York 10036 (Attn: Edward S. Weisfelner, Esq.) and (iv) the Office of the United States Trustee, and filed with the Bankruptcy Court (with a courtesy copy delivered to Chambers) by no later than 12:00 p.m. on February 19, 2001.

PLEASE TAKE FURTHER NOTICE, that the Motion will be filed by Debtors with the Bankruptcy Court and may be inspected via the United States Bankruptcy Court, Southern District of New York web site address at **<http://www.nysb.uscourts.gov>**. A copy of the Motion may also be obtained upon written request to the undersigned attorneys for Debtors.

PLEASE TAKE FURTHER NOTICE, that the Hearing may be adjourned from time to time without further notice to any creditor or other party-in-interest other than by

announcement of the adjourned date in open Court on the date of the Hearing or at any adjourned date thereof.

Dated: February 8, 2001
New York, New York

GOLENBOCK, EISEMAN, ASSOR & BELL
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By /s/ Jonathan L. Flaxer
Jonathan L. Flaxer (JF 7096)
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Members of the Firm

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Hearing Date: February 21, 2001
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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re: : Chapter 11
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Randall's Island Family Golf Centers, Inc., et al., : through 00 B 41196 (SMB)
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Debtors. : (Jointly Administered)
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**MOTION FOR ORDER (I) APPROVING AN AMENDMENT TO KEY
EMPLOYEE RETENTION PROGRAM; (II) APPROVING
PAYMENT OF SALARIES OF RETAINED EMPLOYEES
PURSUANT TO SECTION 506(c); AND (III) GRANTING
AUTHORITY TO PAY SEVERANCE PAYMENTS
AS ADMINISTRATIVE EXPENSES**

TO THE HONORABLE STUART M. BERNSTEIN,
CHIEF UNITED STATES BANKRUPTCY JUDGE:

The above-captioned debtors and debtors and debtors-in-possession (the "Debtors"), for their motion for an order (the "Motion"), pursuant to sections 105(a), 503(b)(1)(A), 506(c), and 507(a)(1) of title 11 of the United States Code (the "Bankruptcy Code"), (i) approving an amendment to the key employee retention program, approved by Order of this Court dated November 21, 2000 (the "Retention Program"); (ii) subject to certain conditions, approving the

salaries of employees to be retained by the Debtors during the period February 28, 2001 through June 30, 2001 pursuant to section 506(c) of the Bankruptcy Code; and (iii) confirming that severance pay due to the employees retained by the Debtors but not covered by the Retention Program, as amended, will be paid as an administrative expense pursuant to section 503(b)(1)(A) and section 507(a)(1) of the Bankruptcy Code, respectfully represent as follows:

INTRODUCTION

1. By this Motion, the Debtors seek entry of an order authorizing the Debtors to offer salary and severance pay to retain 21 key employees during the period February 28, 2001 through June 30, 2001 (the “Wind Down Period”). These key employees (the “Wind Down Employees”) provide core functions to the Debtors’ operations in the areas of operations, finance, accounting, legal, human resources, vendor relations and information systems and are identified on Exhibit A to this Motion.¹

2. The Debtors have determined that the Wind Down Employees are integral to the successful, orderly and efficient winding down of the Debtors’ businesses. To ensure that the Wind Down Employees do not consider seeking employment elsewhere during the Wind Down Period, the Debtors seek to make provisions for the payment to them of salary and severance pay.

¹ To the extent this list changes, the Debtors will file a revised list of Wind Down Employees by February 20, 2001.

BACKGROUND

3. On May 4, 2000 (the “Filing Date”), each of the Debtors filed with this court separate voluntary petitions for relief under chapter 11 of the Bankruptcy Code. By Order of this Court dated as of the Filing Date, the Debtors’ chapter 11 cases are being jointly administered. Pursuant to sections 1107 and 1108 of the Bankruptcy Code, the Debtors are continuing to operate their businesses and manage their properties as debtors-in-possession.

4. The Debtors operate golf, ice skating and family entertainment centers throughout North America. As of the Filing Date, the Debtors owned and/or operated 100 golf facilities and 17 ice skating and family entertainment centers.

5. The Court has jurisdiction over this Motion pursuant to 28 U.S.C. § 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A), in that it is a matter concerning the administration of the Debtors’ estates. The statutory predicate for the relief requested in the Motion are sections 105 (a), 503(b)(1)(A), 506(c) and 507(a)(1) of the Bankruptcy Code.

RELIEF REQUESTED

A. Amendment to the Retention Program

6. On November 21, 2000, the Court entered an Order giving the Debtors authority to implement a Retention Program in order to retain certain key employees (the “Covered Employees”). The Retention Program provided for an increase from three months salary severance payment to nine months salary severance payment upon termination (other than for cause) prior to May 21, 2001, provided that the severance payment would be reduced by any salary received by the Covered Employee from November 21, 2000 through termination.

7. The purpose of the enhanced severance payment provisions of the Retention Program was to provide an incentive to the Covered Employees to remain with the Debtors through the management transition period. An effect, however, is to penalize Covered Employees who work beyond February 28, 2001, as such employment will diminish the remaining six months' severance, on a daily basis. Thus, the Covered Employees have an incentive not to continue employment after February 28.

8. Because of the importance of retaining five Covered Employees (who are also Wind Down Employees) for the wind down period, the Debtors seek to amend the Retention Program to provide that those Covered Employees listed on Exhibit B hereto (the "Designated Covered Employees") will be entitled to the following:

To the extent that a Designated Covered Employee is terminated during the period February 28, 2001 through June 30, 2001 by the Debtors (other than for cause), the Designated Covered Employee shall be entitled to a six month salary severance payment upon termination, payable in one lump sum.

9. The effect of this amendment is to prevent the situation described above whereby the Designated Covered Employees have no incentive to continue employment beyond February 28, 2001. The Debtors believe that this amendment to the Retention Program will demonstrate their commitment to the Designated Covered Employees during the Wind Down Period.

B. Payment of Salaries Pursuant To Section 506(c)

10. The Chase Manhattan Bank, as Administrative Agent (the "Agent") for certain pre-petition and post-petition lenders, has agreed to waive the provisions of the June 2, 2000 "Final Order" prohibiting expenses of administration to be charged pursuant to section

506(c) of the Bankruptcy Code, as it pertains to the salaries of the Wind Down Employees during the Wind Down Period, provided that the aggregate compensation, including FICA and other related charges, does not exceed \$500,000. In addition, the four month salary for any Wind Down Employee subject to this 506(c) waiver will not exceed \$54,000.

11. Because of the importance of retaining the Wind Down Employees during the Wind Down Period, the Debtors seek to assure that their salaries can be paid by consensual surcharge pursuant to section 506(c) of the Bankruptcy Code.

C. Authority to Pay Severance Pay As An Administrative Expense

12. In furtherance of providing an incentive to the Wind Down Employees to remain during the Wind Down Period, the Debtors seek authority from the Court to pay the severance payments to which the Wind Down Employees (other than the Designated Covered Employees, provision for whom is effected through the Retention Program, as amended) as administrative expenses.

APPLICABLE AUTHORITY

13. Section 105 of the Bankruptcy Code provides, in relevant part, as follows:

The Court may issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title.

11 U.S.C. § 105(a).

14. Section 506 of the Bankruptcy Code provides, in relevant part, as follows:

The trustee may recover from property securing an allowed secured claim the reasonable, necessary costs and expenses of preserving, or disposing of, such property to the extent of any benefit to the holder of such claim.

11 U.S.C. § 506(c).

15. Section 507 of the Bankruptcy Code provides, in relevant part, as follows:

(a) The following expenses and claims have priority in the following order:

(1) First, administrative expenses allowed under section 503(b) of this title, and any fees and charges assessed against the estate under chapter 123 of title 28.

11 U.S.C. § 507(a).

16. Section 503 provides, in relevant part, as follows:

(b) After notice and a hearing, there shall be allowed administrative expenses, other than claims allowed under section 502(f) of this title, including--

(1)(A) the actual, necessary costs and expenses of preserving the estate, including wages, salaries, or commissions for services rendered after the commencement of the case;

11 U.S.C. § 503(b)(1)(A).

Applicable law contemplates administrative status for severance obligations incurred post-petition. *See, e.g., In re W.T. Grant Co.*, 620 F.2d 319, 321 (2d Cir. 1980); *In re Straus-Duparquet, Inc.*, 386 F.2d 649, 650 (2d Cir. 1967); *In re Crystal Apparel, Inc.*, 220 B.R. 816, 835 (S.D.N.Y. 1998).

17. Accordingly, the Court has the authority to grant the relief requested.

BEST INTERESTS OF THE ESTATES

18. The relief requested in this Motion is in the best interest of the Debtors, their estates and their creditors. Entry of the proposed Order will allow the Debtors to Wind Down their operations in an efficient and orderly fashion. The Wind Down Employees are

extremely knowledgeable about the Debtor's business affairs and will be able to facilitate the winding down of the Debtors' business operations and the closing of the asset sales. The amendment to the Retention Program, the accordancy of section 506(c) expense status to the salaries of the Wind Down Employees and the confirmation that severance pay will be treated as an administrative expense under sections 503(b) and 507(a) are critical to the efficient winding down of the Debtors' operations since they attempt to ensure that the experienced Wind Down Employees will remain committed -- and employed -- through the process. Therefore, the relief requested is in the best interest of the Debtors, their estates and their creditors.

NOTICE

19. The Debtors have provided notice of this Motion to (i) the Office of the United States Trustee, (ii) Berlack, Israels & Liberman, LLP, counsel to the Official Committee of Unsecured Creditors, (iii) Morgan, Lewis & Bockius, LLP, counsel for The Chase Manhattan Bank, as agent for certain of the Debtors' prepetition and postpetition lenders and (iv) all other parties who have filed a notice of appearance in these chapter 11 cases. The Debtors believe that such notice is appropriate under the circumstances of this Motion and that any additional notice would not warrant the expense. Accordingly, the Debtors respectfully request that any and all other and further notice be dispensed with and waived.

WAIVER OF MEMORANDUM OF LAW

20. Given the nature of the relief requested in this Motion, the Debtors respectfully request that this Court dispense with and waive the requirement for submission of a memorandum of law contained in Local Rule 9013-1(b).

21. No previous request for the relief sought in this Motion has been made to this or any other Court.

WHEREFORE, the Debtors request entry of the Order attached hereto as Exhibit C (i) approving the amendment to the Retention Program; (ii) approving the payment of salaries to the Wind Down Employees pursuant to section 506(c) of the Bankruptcy Code; and (iii) authorizing the Debtors to pay severance to the Wind Down Employees not covered by the Retention Program, as amended, as administrative expenses pursuant to sections 503(a) and 507(a)(1) of the Bankruptcy Code, and granting such other and further relief as is just and proper.

Dated: New York, New York
February 8, 2001

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